



*P*ERBADANAN PINJAMAN SABAH
(SABAH CREDIT CORPORATION)

ANNUAL REPORT 2009

The Journeys for...

PRIDE

QUALITY

CREDIBILITY

PRECISION

SUSTAINABILITY

TABLE OF CONTENTS

Page No.	CORPORATE
0	The Symbol of development and progress
1	Introduction / Mission, Vision and Objective
2	Chairman Statement
3	Letter From General Manager
4	Information on Members of the Corporation
5	Information on Senior Management Team
	OVERVIEW
6	Significant Events 2009
7-8	Sabah Credit Corporate In The News
9	5-Year Performance Highlights
	JOURNEY OF PRIDE
10-11	Human Capital
	JOURNEY OF QUALITY
12	Enhancement in Information Communication and Technology (ICT)
	JOURNEY OF CREDIBILITY
13-16	Statement of Corporate Governance
17-19	Audit Committee Report
20-21	Financial Management
	JOURNEY OF PRECISION & SUSTAINABILITY
22	Raising the Bar of Quality Service Delivery
	CORPORATE SOCIAL RESPONSIBILITY
23-26	Corporate Responsibility
	FINANCIALS
27	Sijil Ketua Audit Negara
28	Statement by Members of the Corporation
29	Statutory Declaration
31	Balance Sheet
32	Income Statement
33	Statement of Changes in Equity
34-35	Cash Flow Statement
36-51	Notes to the Financial Statement



The Symbol of Development and Progress

The logo is derived from the Corporation's acronym, PPS. The currency symbol of \$, which forms the base of the logo, represents the 'lifeblood' upon which the Corporation's activities revolve.

The twin stylised alphabets of 'P' (one P being reversed), which sits on the symbol \$, adds a hornlike effect to the logo. Horns that signify the sprouting and branching out of the Corporation's activities; a far reaching vision ensuring the Corporation's continuous growth and vitality.

In essence, the Corporation's logo embodies a commitment based on wisdom and foresight coupled with financial strength. A philosophy that has been able to ensure the turmoil of yesteryears, to leapfrog the obstacles of today and to battle the challenges of the future.

INTRODUCTION

Sabah Credit Corporation ("SCC" or "The Corporation") was incorporated on 15 June 1955 under the Credit Corporation Ordinance No. 1 of 1955. The Ordinance was later repealed and replaced by the Credit Corporation Enactment No. 22 of 1981, which re-enacts the law relating to the establishment of Sabah Credit Corporation.

SCC was established as a statutory body under the purview of the Ministry of Finance.

Headquartered in Kota Kinabalu, SCC operates throughout the State of Sabah with local area networking of eleven (11) District Client Centres and five (5) Collection Centres.

Objective

To help and contribute towards the socio-economic development of the State. In its capacity as a financing agency, Sabah Credit Corporation complements the State Government's efforts by providing or facilitating the grant of financial credits to promote and encourage private investments involving agriculture, light industry, development of rural and urban housing, shophouses and particularly public utilities and amenities.

✍~Enactment No.22 of 1981~

Vision

To become a leading Corporate Citizen in Malaysia and to contribute to the State Social Agenda with the intention

"To Make a Difference"

Mission

Sabah Credit Corporation gives assurance and strives to balance its roles in social and financial responsibility as stated in its objective of incorporation by emphasising the following strategies:-

1. Improving **Asset Quality** through controlling Non-Performing Loans and managing investment risks.
2. Implanting **Leadership and Accountability** within the organisation by rejuvenating human capital via development programmes.
3. Contributing to **Environmental Improvement** via providing financial credits to organic farmers in order to promote organic farming practices.
4. Providing **Easy Loans to Small Businesses** by introducing community loans to curb out the rising phenomena of unlicensed money lenders.
5. **Helping the Less Fortunate** through allocating annual funds for community projects.

CHAIRMAN STATEMENT

2009 was my first complete year as Chairman of Sabah Credit Corporation and I am delighted by our accomplishments. On behalf of the Members of the Corporation, it greatly pleases me to present the 54th annual report for the financial year ended 31 December 2009.

Economic Outlook

Signs of stabilisation in global turmoil can be seen emerging, however, the road to recovery continues to pace slowly in year 2009. Even in the light of aggressive measures employed, such as interest rate cuts and the pumping of massive liquidity into the financial system by central banks and other remedial active actions taken by the respective governments, the downturn of the sub-prime market continues to haunt the large reputable banks. Banks

are becoming more cautious in their credit evaluation as bad loans could rise soon, thus limiting the flow of funds to corporates.

The Malaysian economy has been surprisingly resilient in facing the global slowdown. Stabilising global and domestic demand conditions has resuscitated manufacturing output, while large public expenditure has contributed to expansion in both construction and services activities.

"The journeys of the past has built firm foundations, positive and innovative vibes in SCC to deliver record results in this dramatic and competitive-edge industry"

Performance

The Corporation continues with its excellent performance in the year 2009 in the face of stiff competition in the industry. For the financial year ended 31 December 2009, the Corporation recorded a surplus before tax of **RM41.4 million**, an increase of 9% over the surplus before tax of RM37.8 million in the year previous 2008.

The core business of the Corporation has slightly improved, where the total lending of the Corporation increased by 4% from RM1.18 billion in year 2008 to RM1.23 billion in year 2009. The growth may not be as great as the years before, but the ability to maintain our market share in such a bloodthirsty industry, where key players cut interest rates as a means of survival is hugely commendable. This upward trend reflects the commitment of the Corporation in its continuous drive to enhance its delivery system via the provision of

quality and efficient services. It also marks the growing confidence of stakeholders in the Corporation's pursuit of credibility.

With this achievement, the Corporation declared a gross dividend of RM13.0 million to the State Government for the year 2009. The Corporation will continue its contribution back to the State Government by way of dividend payments.

Appreciation

On behalf of the Corporation, I take this opportunity to record my appreciation of the firm support, assistance and guidance of the Ministry of Finance, Government Agencies, stakeholders and all the relevant authorities.

My sincere thanks also go to the Members of the Corporation, the Management and Warga PPS. Their professionalism, diligence and unwavering commitment have resulted in yet another year of remarkable financial results. Finally, I thank our valued customers for their continuous support and feedback.

Thank you.



(YB TEO CHEE KANG, ADK, JP)
Chairman



LETTER FROM GENERAL MANAGER

The Corporation implemented two very important strategies in the year 2009, the Journey for Precision and the Journey for Sustainability. These strategies reflected the Corporation's strong commitments and belief in the importance of providing quality services, developing quality human resources and a commitment for a well established, strong and stable corporation.

The Journey for Precision was designed to strengthen the Corporation's processes that involves dissecting the process, automatise and precise. It is geared to further upgrade the quality of services of the Corporation. The development of the Corporation's new Computerised Financial and Loan Integrated System (FLIS), which started in February 2009 and expected to run live in January 2010 has this journey as its foundation. Similarly goes to the restructuring of the Corporation human resources which is expected to be implemented on the first day of January 2010.

The Journey for Sustainability was designed for the long term

sustainability of the Corporation that features a well established and stable corporation. It involves identifying new business opportunities and strategies for the Corporation to pursue.

Year 2009 was indeed one of the most challenging years for the Corporation. Aside from managing the daily operations of the organizations to survive in this competitive industry during global economy uncertainty, preparations have to be made for the future challenges of the Corporation. Despite all these, the Corporation enjoyed another outstanding achievement for the year 2009.

"The ever-changing business realm creates improvement opportunities on every phase of our accomplishments."

Business Opportunities

The Corporation continued its focus on the public service market in Sabah as potential remains enormous. Despite the interest rate cut implemented by key players to remain competitive in the industry, we still experienced a growth of 4% in its market share of 30% among civil servants from and those residing in Sabah as compared to the previous year of 26%. Personal financing, on the other hand, has shown an increase of 2% to RM904.68 million in year 2009.

On the project financing, the Corporation focus on financing projects by government related agencies (GLC) in the form of joint ventures or direct financing. Such projects are residential houses and business or office premises development.

In addition to that, our new client centre at Alamesra was officially in operation on 19 January 2009. This new addition geared to service our clients at the northern suburbs, bringing ourselves closer to the clients.

Fulfilling The Mandated Role

In fulfilling its mandated roles, the Corporation subscribe dearly to its Corporate Governance. Making profit to the Corporation is fine so long as it is within the limits of the law, is ethical, within the acceptable risk and does not destroy the very fabric and function of which the Corporation was established.

The Corporation's Corporate Social Responsibility program is part of fulfilling its mandated role. It is a program devised to contribute directly to the social economic development of the people especially those who do not have the ability to meet the basic requirement for financial credits facilities. Such the case, the program thus focuses especially for the benefits of those abused women, single mothers, children, the orphanage and those physically challenged.

Going Forward

The Corporation is very much aware of the future challenges despite having to contend with the ever competitive financial industry and the global economic uncertainties. These challenges have been identified and measures have been taken to address them. Throughout the year 2009, the Corporation has indeed prepared the foundation for which these measures are to be implemented.

Despite this, the Corporation will not approach year 2010 without cautious. The Corporation will always be on its toes, making sure that opportunities will not be missed while at the same time, sustaining its credibility, improving the quality services to its clients through the precision strategy and for the sustainability of the Corporation. With these in view, the Corporation identified its theme, **"Think Beyond Yourself"**, that provides the needed thrust to venture into the year 2010.

Appreciation

My deepest and sincere thanks to our loyal customers and the stakeholders for their continuous support in making SCC successful. I raise my hat to the staffs of the Corporation for their professionalism, diligent and teamwork in making what SCC is today. As for the year 2010, together we will make things happen again.

Thank you.



(Datuk Vincent Pung Yee Klong)
General Manager



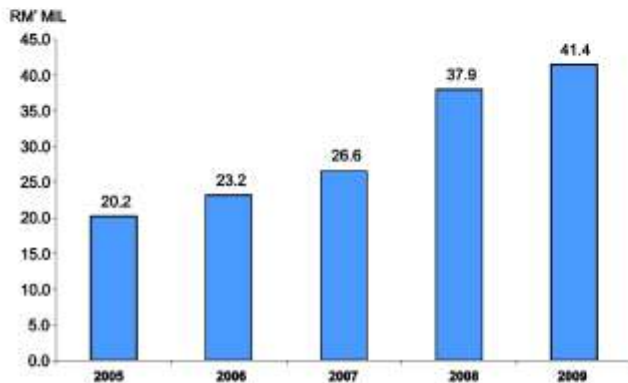
INFORMATION ON MEMBERS OF THE CORPORATION



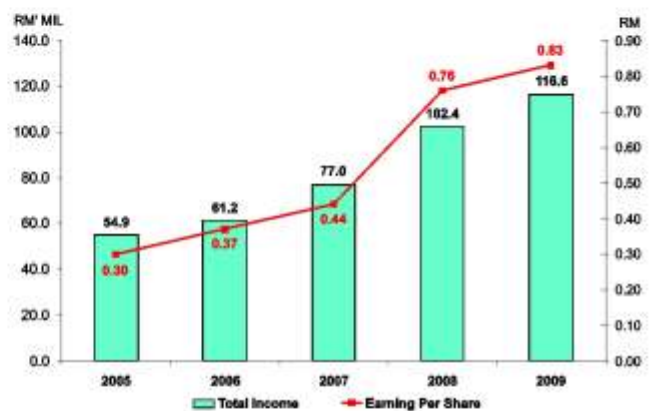
1. **YB Teo Chee Kang, ADK, JP**
Chairman
2. **Datuk Mohamad Bin Jafry**
Deputy Chairman
(Chairman of Bad Debts Write-off Committee)
3. **Datuk Vincent Pung Yee Kiong**
Secretary/ General Manager
4. **Datuk Felix Madan**
Deputy Permanent Secretary
(Alternate to Permanent Secretary)
Ministry of Finance
5. **Datuk Osman Bin Jamal**
Director (Land & Survey Department)
6. **M.C Ismail Salam**
Director (Agriculture Department)
7. **Datuk Peter Athanasius**
Entrepreneur
(Chairman of Special Task Force Committee)
8. **Marzuki Hj. Spawi, JP**
Lawyer
(Chairman of Audit Examination Committee)
9. **Ir. Shaheimey Bin Yahya**
Engineer
(Chairman of Small Loan Scheme
& Loan Review Committee)
10. **Zamani Hj. Basri**
Entrepreneur
(Chairman of Loan Application Appraisal Committee)
11. **Raskan Bin Asing**
Entrepreneur
(Chairman of Property Investment Committee)

PERFORMANCE HIGHLIGHTS

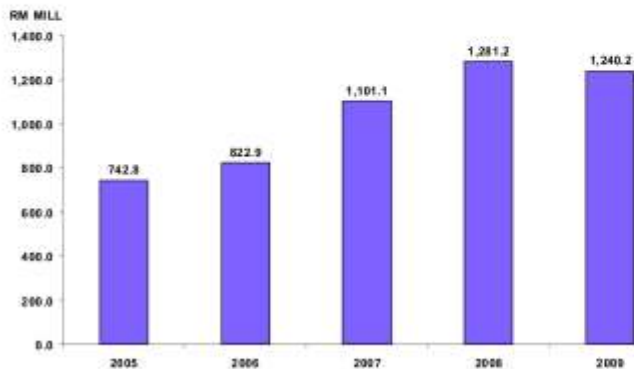
PROFIT BEFORE TAX STRONG AND CONSISTENT PROFITABILITY THROUGHOUT TOUGH COMPETITION



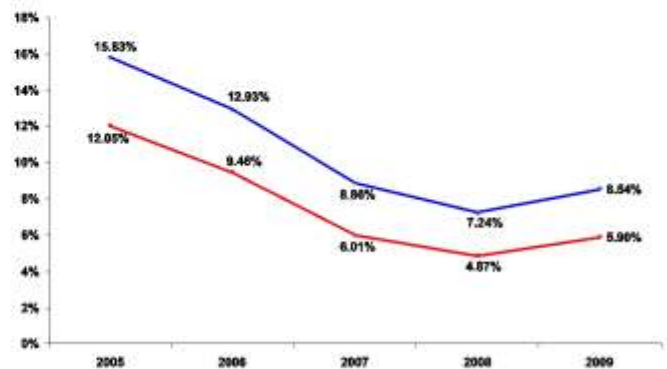
TOTAL INCOME & EARNING PER SHARE CONTINUOUS ROBUST INCOME FROM NICHE MARKET WITH HIGH PROFITABILITY INDEX



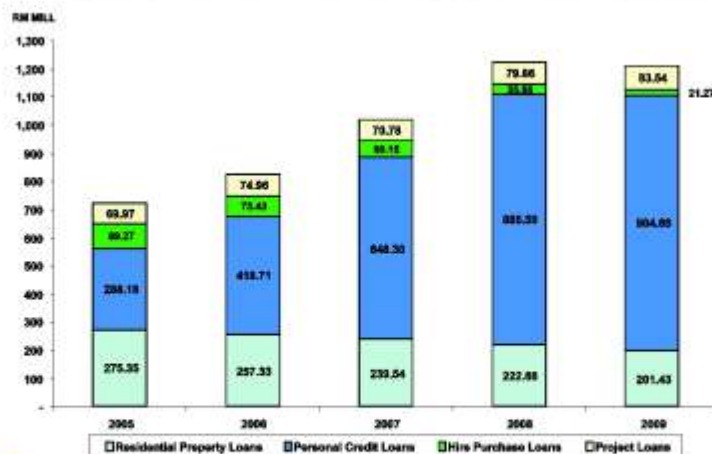
TOTAL ASSETS SUSTAINING CREDIBILITY IN THE MIDST OF DIFFICULT YEAR



GROSS NPL AND NET NPL RATIO QUALITY MANAGEMENT ON LOAN PROCESSING AND LOAN RECOVERY WITH LOW NPL LEVEL



PORTFOLIO SIZE STRATEGIZING MARKET SHARE THROUGH EXPANSION OF NICHE PRODUCT



KUALA LUMPUR: RAM Ratings Services Bhd has reaffirmed the respective long- and short-term ratings of Sabah Credit Corp's RM500 million commercial Papers/Medium-Term Notes (MTN) programme at "AA1" and "Pr1" with a "stable" outlook.

KUALA LUMPUR: RAM Ratings Services Bhd has reaffirmed the respective long- and short-term ratings of Sabah Credit Corp's RM500 million commercial Papers/Medium-Term Notes (MTN) programme at "AA1" and "Pr1" with a "stable" outlook.

statement here Friday, RAM said the rescue was supported by the Sabah State Government's direct ownership of Sabah Credit Ministry of Finance.

The Sabah Government's backing was a result from the subordination of the corporation and future State Government PMTN programme, as well as a let-

This is further demonstrated by the Sabah Government's recent reinvestment of RM5 million of dividends received from Sabah Credit into RAM said in the meantime, the corporation's credit fundamentals continued to improve during the period under review.

"We note that the corporation has been expanding its personal lending in the last few years. This is viewed positively given that personal loans have been mainly extended to civil servants, whereby repayments are deducted through either the Sabah State Treasury or Biro Perkhidmatan Angkatan

... Treasury or Biro Perkhidmatan Angkasa

WEDNESDAY, 22ND JULY, 2009 13



Alumni on call: Head of State Tun Ahmad Shah Abdul Halim (seated, centre) receiving a courtesy call by a delegation from the Alumni of Maktaba Saifu Maria (MPSM) Kuala Lumpur, headed by Raja Ali Raja Osman, at the Istana, in Kuala Lumpur. In the background, the Sultan and the Queen are seated. Tun Ahmad Shah is flanked by Raja Ali Raja Osman, at the Istana, in Kuala Lumpur. In the background, the Sultan and the Queen are seated. Tun Ahmad Shah is flanked by Raja Ali Raja Osman, at the Istana, in Kuala Lumpur. In the background, the Sultan and the Queen are seated.

SEMASA

How Subjects Differ

[illegible]

Musa gembira
pencapaian
Perbadanan
Pinjaman Sabah

[illegible]

Abdullah (left) handing over the machine to Dr. Norvayansawa

SCC donates haemodialysis machine

KOTA BELU: The district hospital here now has eight haemodialysis machines with the addition of another machine contributed by Sabah Credit Corporation (SCC).

SCC Deputy General Manager, Abdullah Sidi presented the RM40,000 machine to the Director of Kota Belud Hospital, Dr Marwanjamsari Mirnawati.

He said that SOC would be requesting the government to increase the five per cent as the more assistance could be given to the people throughout the state.

Sabah Creek 300

Musa happy SCC enjoyed consistent growth

■ **From Front Page**
established private hospital
- Sabah Medical Centre
(SMC) - was bought over
by Government

He said this was evident from last year's financial record where the SCC reported an audited surplus before tax of about RM37.8 million, an increase of 9 million or 42 percent in the audited surplus of RM28.6 million 2007 financial year.

School to get new hostel for remote area students



and include the growth rate of

We have a hospital, but there are too many of us in one room [40]. I am glad there will be a block for us by year. This is the way we can stay the longest. **Alison** (1993) You need to keep the house clean and make sure the house is ready when you have to go. You need to be able to make the house clean and make the house ready when you have to go. You need to be able to make the house clean and make the house ready when you have to go.

Asrama untuk murid miskin

[illegible]

SCC help for needy rural women, kids

[illegible]

...angunan tambahan

Hostel
Donni
donors
praised

KURE: Efforts by the NKKU College Fund, a non-profit and NKKU Credit Corporation to donate land for the construction of a new dorm that can accommodate 100 students at NKKU Two Good Heights have been highly appreciated.

According to Principal Mar Rungkhak, the previous school year only 254 students, while the total number about 1,200.

During the groundbreaking ceremony on May



(From left), Raja Ali, Martha, Joins, and Vincent Page launching the new board.

Bangunan tambahan SMCC

[illegible]

Illustration: representative 40-45 days (bottom right) and total Credit Corporation period
margin: total amount paid (bottom right) during 40-45 days

SABAH CREDIT CORPORATION IN THE NEWS

2 Saturday May 16, 2009

HOME

New Sabah Times



Musa cutting the ribbon to mark the opening of the newly renovated SCC's client centre while Teo (second right front row), Vincent (third left front row) and others look on



Musa handing out a SCC pamphlet to the public at the drive-through counter

WISMA KHIDMAT TO BE PRIVATE HOSPITAL

By KAMARUDDIN LIUSIN

PENAMPANG: The Wisma Khidmat Building in Kota Kinabalu will be turned into a private hospital and not a government hospital as earlier planned.

Chief Minister

Seri

to turn the building into a private hospital.

"The project to establish the private hospital is expected to cost RM10 million," he said.

He said the project

process of finalising it and we leave it to the SCC to decide on the matter," he

sa said the hospital provide an alternative for the people of Sabah, by those residing in capital, who pre-

seek medical care hospitals, after the private hospital

medical Centre is bought over if government to a govern-

ment he

In

most c

ister I

Razali

over

million would help overcome the health service

stems here after the

Hospital's

board of

Also present yesterday were SCC chairman Teo

Chee Kang, SCC general

manager Datuk Vincent

Pung and the board of

SCC records 42pc rise in pertax profit

Barbara Young

PENAMPANG: The Sabah Credit Corporation (SCC) has recorded a 42 per cent increase in its pre-tax profit for the financial year ended 2008.

The Chief Executive Officer (CEO) of SCC, Datuk Vincent Pung, said the increase was due to the company's strong performance in its core business.

Pung said the company's revenue for the year ended 2008 was RM26.6 million, up from RM18.7 million in 2007.

He said the company's net profit for the year ended 2008 was RM10.7 million, up from RM7.5 million in 2007.

Pung said the company's return on assets for the year ended 2008 was 12.5 per cent, up from 10.5 per cent in 2007.

He said the company's return on equity for the year ended 2008 was 15.5 per cent, up from 13.5 per cent in 2007.

Pung said the company's return on capital employed for the year ended 2008 was 18.5 per cent, up from 16.5 per cent in 2007.

He said the company's return on investment for the year ended 2008 was 21.5 per cent, up from 19.5 per cent in 2007.

Pung said the company's return on funds raised for the year ended 2008 was 24.5 per cent, up from 22.5 per cent in 2007.

He said the company's return on total assets for the year ended 2008 was 27.5 per cent, up from 25.5 per cent in 2007.

Pung said the company's return on total equity for the year ended 2008 was 30.5 per cent, up from 28.5 per cent in 2007.

He said the company's return on total capital for the year ended 2008 was 33.5 per cent, up from 31.5 per cent in 2007.

Pung said the company's return on total funds for the year ended 2008 was 36.5 per cent, up from 34.5 per cent in 2007.

He said the company's return on total resources for the year ended 2008 was 39.5 per cent, up from 37.5 per cent in 2007.

Pung said the company's return on total assets and liabilities for the year ended 2008 was 42.5 per cent, up from 40.5 per cent in 2007.

He said the company's return on total equity and liabilities for the year ended 2008 was 45.5 per cent, up from 43.5 per cent in 2007.



Vincent (right) receiving documents with Wang Chee Kang, Executive Director of UPM and Datuk Vincent Pung, CEO of SCC

Nod awaited on the private hosp plan

State pleased with SCC

PENAMPANG: The state government is pleased with the performance of Sabah Credit Corporation which has consistently been making profits.

Chief Minister Datuk Seri Musa Haji Aman praised the corporation yesterday for earning a pre-tax profit of RM37.4 million for the financial year of 2008.

In the financial year of 2007, the company made pre-tax profits of RM26.6 million.

"Every year the profit increases and this shows efficiency in administration and management," he told reporters after being briefed on the developments in Sabah Credit Corporation.

The briefing was conducted by the corporation's chairman, Teo Chee Kang and general manager, Vincent Pung, at his head-

responsibility through charity work. It has built among others, rural hostels, libraries and renovated dilapidated school buildings.

He therefore urged other government agencies to emulate the Sabah Credit Corporation.

Meanwhile in his speech earlier, the Chief Minister was pleased that the company would be offering Syariah-based financial products.

At the event, Musa also witnessed a cheque presentation of RM57,426 from the Kulim Mara Junior Science College (MRSM) Alumni to build a hostel at SMK Kulu.

The construction is a joint-effort between the alumni and Sabah Credit Corporation with the latter supervising the project costing

KM: Pengurusan kewangan perlu ditingkat

PENAMPANG: Ketua Menteri Datuk Seri Musa

Amman yesterday expressed hope that other State agencies will emulate

Sabah Credit Corporation's (SCC) efforts to improve itself and overcome

challenges facing it.

"Precision strategy, an approach taken by SCC in systematically dissecting its

processes to make the agency more effective and efficient, are important

steps the corporation has taken in order to meet the dynamic challenges of

today's competitive world.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.



He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

CM gives top marks for SCC; urges other agencies to emulate

PENAMPANG: Chief Minister Datuk Seri Musa Aman yesterday expressed hope that other State agencies will emulate Sabah Credit Corporation's (SCC) efforts to improve itself and overcome challenges facing it.

"Precision strategy, an approach taken by SCC in systematically dissecting its processes to make the agency more effective and efficient, are important steps the corporation has taken in order to meet the dynamic challenges of today's competitive world.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

visiting the upgraded Wisma SCC in Jesselton town here yesterday.

He said the approach will be emulated by other State agencies," he said when

HUMAN RESOURCE AS VALUABLE ASSETS



Skills & Knowledge Development

The efforts towards self development in SCC are continuous in order to cater for top quality manpower. 2009 saw various training programs that were done for the self development of SCC staffs, such programs include in-house talks by various guest speakers pertaining different topics, refresher courses on current policies and procedures of SCC, and benchmarking visitations to other organisations. This will enable SCC to become a very dynamic organisation since its human resources are able to adapt to any multitasking necessity. A total of 78 training programs have been completed in the year 2009.

Staff Welfare

The wellbeing and health of its staff remains one of the top priorities for SCC as it is considered as an important factor for growth and sustainability. The management truly believes that health issues will directly take effect on the staff's performance. Thus, a full medical check-up is obligatory on all of its employees to ensure that they are mindful of maintaining a healthy lifestyle and to enable detection of any serious illnesses. Employees of SCC also enjoy a Surgical and Hospitalisation Insurance protection as well as a Personal Accident Insurance cover which the Corporation renews annually. The Corporation sees its workforce as 'family' and endeavours shield the staffs' family members as much as possible in the event of tragedy.

2009 saw the launching of the finalised renovated SCC Headquarters which includes a new and improved gymnasium to encourage staffs to exercise more with the given facilities. The results were on a positive scale as witnessed by the good turnout of staff at the gymnasium after office hours and also during lunch hours.

Staff Recognition

SCC continues to appreciate the contributions of its employees through its monthly General Manager's Appreciation Awards and Long Service Awards as means of motivation and encouragement. The monthly

recognition of good performance stems from the Management's view that excellence in work performance or any other beneficial contribution by employees should be immediately recognised in order to further motivate and stimulate future efforts of the same. As performance and motivation tends to fluctuate throughout the year, therefore immediate recognition is imperative to maintain positive and commendable performances and contributions.

Throughout the year 2009, there were a total of 64 recipients of the monthly General Managers Appreciation Awards and 24 other who have served for up to 30 years of service receiving the auspicious Long Service Awards.

Staff Ethics and Conduct

The indigenous composition of ethnicity within SCC and how staffs from different cultures and creed interact, communicate and cooperate with each other are truly in line with vision of Malaysia's 6th Prime Minister Datuk Seri Najib Tun Razak's 1Malaysia concept, coming together to form "Warga PPS". The staffs of SCC comprises of various races such as Malays, Chinese, Kadazandusun, Bajaus, Brunei-Kedayans and many other ethnic races from all parts of Sabah.



SCC follows the ethics conduct set upon by the State Government's "Peraturan-peraturan Pegawai Awam Negeri Sabah". In addition, towards the aim of excellence there are certain conduct guidelines for SCC staffs that serves as a formula for productivity, a sense of belonging, and success, and that is Passion, Resourceful, Inspirational, Dignity and Enjoyment. All of these elements form the acronym PRIDE, which is also the motto for SCC which is To Serve With PRIDE.

To further emphasize on the development and perfection of the ethics and conducts among the staff of SCC, various activities have been implemented and supported by the management to strengthen discipline among staff and at the same time serving as a platform for team building efforts. Among the foresaid activities are morning exercises and singing as well as recreational activities, all of which also contributes to a sign of harmony within the organisation.

HUMAN RESOURCE AS VALUABLE ASSETS



"Majlis Bersama Jabatan"

The Corporation's MBJ Council was officially formed on 9 May 2002 with the purpose of improving staff welfare. The MBJ concept has provided a platform for employees to communicate or address issues that concern them directly to Management. Issues brought forward usually centres on work process, staff welfare, staff benefits and so forth. The MBJ process involves the taking place of a conference between employee representatives and representatives from the management. The council itself consists of 10 management representatives (Management team; Headed by the General Manager plus one officer appointed as secretary) and 20 employee representatives composed of one representative from each section and district client centre of the Corporation. The chairmanship of the council is determined through a democratic process of voting amongst the employee members. The employee members also appoint a secretary amongst themselves and the elected chairperson is responsible for chairing their meetings and is usually the main spokesperson to convey issues and matters to Management during the management meeting.



Sports and Recreation Club (KSR)

KSR, which is SCC's sports and recreational club, has continued to enhance its efforts in organising various sporting activities and events in order to maintain the staff wellbeing through sports and recreational activities as well as social community projects. Such activities serve as a platform of relief from daily office duties as well as a means to enhance team spirit, cooperation and rapport.

Events conducted by KSR in 2009

- PRIDE Indoor Games : Carrom, Dart, Scrabble, Foosball.
- PRIDE Outdoor Games : Badminton, Table Tennis, Volleyball.
- Friendly Dart Tournament (MAKSUM).
- Friendly Badminton Tournament (Majlis Daerah Penampang).
- PRIDE Telematch.
- Used toys charity campaign "Make A Child Smile" for Childrens Ward, Likas Hospital.

Future planned events

- White water rafting at Kiulu River.
- Maliau Basin Conservation Centre Visit.
- Badminton & Table Tennis tournament.
- CSR oriented activities: Blood and Clothing drives

Performance-Based Evaluation

Each and every staff in SCC is evaluated on a monthly basis based on predetermined performance criteria. The first stage of evaluation is of self-assessment by the staffs themselves and to be followed up by their respective Senior Managers or heads of section for the next stage before the General Manager or Deputy General Managers determines the final markings. This monthly evaluation is an important tool for the management in order to monitor the employees' performance, progress and to focus their attention to and guide those who performed below tolerance level.

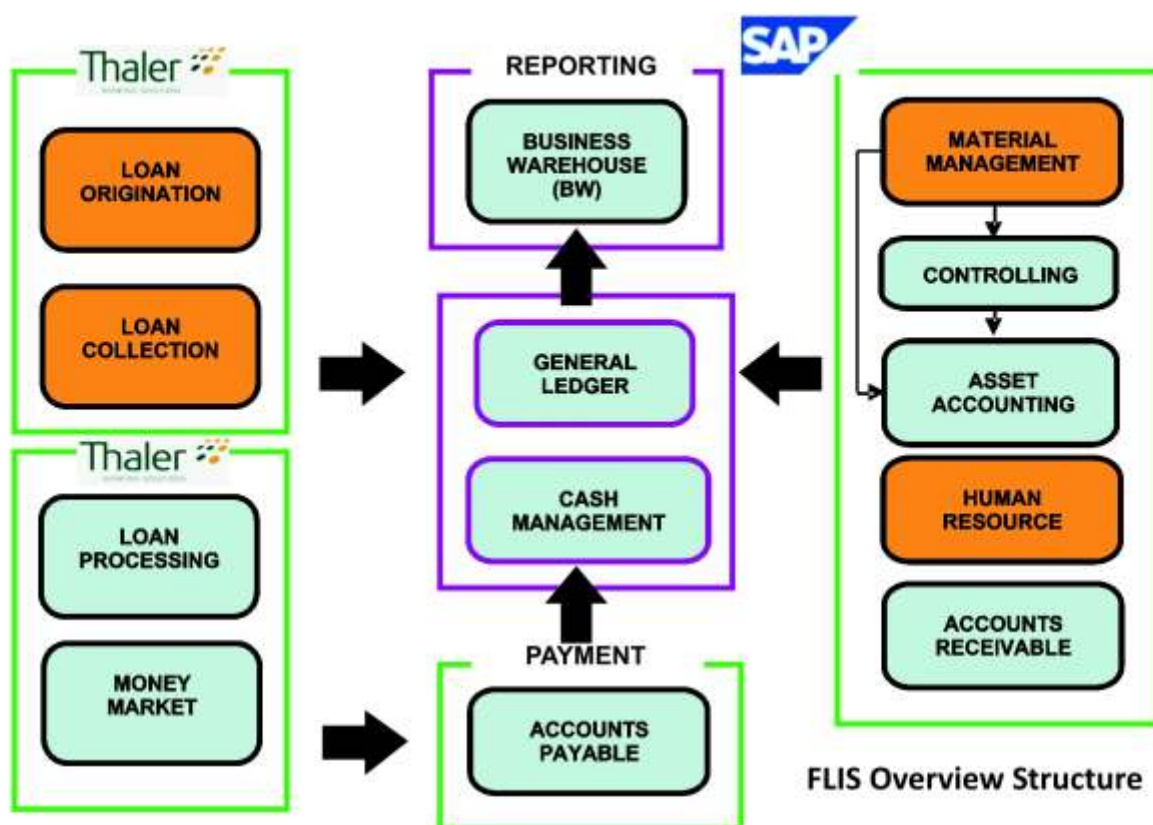


ENHANCEMENT INFORMATION COMMUNICATION AND TECHNOLOGY (ICT)

Feb 2009 marked another milestone for SCC's transformation. This historical month sealed the initial moves to replace the 19-year-old financial and loan computerised system with a new integrated system, FLIS (Financial and Loans Integrated System). This new system is a combination of SAP financial system and Thaler banking system.

The implementation of this **robust, flexible, scalable and integrated** solution is one of the key components of the transformation process in SCC. Based on the "Service Oriented Architecture (SOA)" platform, it enables SCC's IT team to effect changes without touching the base code, ensuring lesser vendor dependency and faster adaptability to changing business conditions

The system supports business event automation and process orchestration that reduces manual tasks and process time. The "Straight Through Processing (STP)" abilities enhance streamline processes, minimise human intervention, increasing output and enabling speedy completion of tasks.



The upgrading of SCC computerised system includes that of SCC's existing Disaster Recovery services and the setting up of a new data centre. With this new comprehensive Disaster Recovery services SCC data is expected to be replicated constantly within shorter intervals and business recovery is expected to be achieved in a shorter period.

There is no doubt that with this efficient and adaptive Financial and Loan integrated solution and a comprehensive disaster recovery services integrated to the business strategy will definitely assist SCC to meet the challenges posed by the changing and dynamic environment. The expected date of completion is Jan 2010.

STATEMENT OF CORPORATE GOVERNANCE

The practice of Corporate Governance is critical to SCC's strategic positioning plan as SCC moves from a government-support organisation to a self-sustaining organisation. SCC believes that it is important to set global principles that guide the Members in streamlining and governing the affairs of the Corporation, with a view to maximising long term value for the State Government and the interest of the stakeholders.

Good Corporate Governance ensures that there is a proper organisational system in place, which provides adequate internal controls with check and balance of authority mechanisms. Over the years, SCC has evolved processes and systems that enhance good corporate governance through the conduct of regular review for Continual Improvements.

BOARD COMMITTEES

The Members has appointed a number of committees consisting of certain Members, as well as representatives from the Management as Secretary to the Committee to assist Members in streamlining and governing the affairs of the Corporation. The following are the principal committees:

Audit Examination Committee (AEC)

The AEC is accountable to the Members and assists the Members in meeting its responsibilities for maintaining an effective internal control system.

This Committee reviews the compliance of procedures, policies, laws and regulations which could have a significant impact on the operations of the organisation. Besides, analysis and monitoring on the adequacy of internal controls, the emphasis on internal check and financial controls is also exercised.

Recently, its role has also been expanded to cover a review of the Corporation's Risk Management System.

AEC meets regularly with the Members to present independent reports of the AEC, and the External and Internal Auditors, to update and inform them on any material findings together with recommended actions taken or to be taken.

The Audit Examination Committee meets as and when required and at least 4 times a year.

Loan Application Appraisal Committee

The Loan Application Appraisal Committee was established with a purpose to evaluate thoroughly the feasibility of business loan applications, where the application amount is above RM100,000, prior to seeking for Members' approval.

Its function also includes reviewing and close monitoring on the development progress of all business loans, which was approved by the Members to ensure continuous viability and profitability.

The Loan Application Appraisal Committee meets as and when required, and at least once a year.

Property Investment Committee

The Property Investment Committee serves as a committee to manage SCC's landed properties as well as to evaluate any other potential property/land investments in terms of feasibility and maximising returns to the benefit of SCC prior to seeking Member's approval. Any matters relating to acquisition and disposal of landed properties falls under the purview of this Committee.

The Property Investment Committee meets as and when required, and at least once a year.

Audit Examination Committee

Marzuki Hj. Spawi, JP (Chairman)
Datuk Mohamad Bin Jafry
M.C. Ismail Salam
Raskan Bin Asing
Charles Peter Mojuntin (Secretary)

Loan Application Appraisal Committee

Zamani Hj. Basri (Chairman)
Datuk Peter Athanasius
Ir. Shahelmey Bin Yahya
Marzuki Hj. Spawi, JP
Victor Monsibol @ Partama (Secretary)

Property Investment Committee

Raskan Asing (Chairman)
Marzuki Hj. Spawi, JP
Zamani Hj. Basri
Henry Chu Wing Siew (Secretary)

Bad Debts Write Off Committee

The Bad Debts Write-Off Committee is set up to vet, evaluate and approve recommendations of non-performing loans to be written off by the Management prior to submission and endorsement by members of the Board. It is also under the jurisdiction of the Committee to ensure that proper criterias and procedures of bad-debts write-off are complied with in accordance with the guidelines approved by the State Cabinet.

The Committee also has the duty to assist the Legal & Enforcement Section in improvising their processes for effective and efficient enforcement.

The Bad Debts Write-Off Committee meets at least once in 3 or 4 months.

Small Loan Scheme (SLS) & Loan Review Committee

This Committee is established with an intention to assist Management in carrying out their responsibilities of managing and monitoring Non-Performing Loans (NPLs).

Meetings are held regularly to review loans which are four months and above in arrears together with effective recommendations on actions to be taken in mitigating NPL risks. It is also the concern of the Committee to ensure that the Corporation is managed in compliance to the Enactment, Government directives, procedures and policies of the Corporation.

Independent reports compiled under the SLS and Loan Review Committee are brought to the attention of the Members of the Corporation on a frequent basis for discussion purposes.

The Small Loan Scheme & Loan Review Committee meets as and when required, and at least once a year.

Special Task Force Committee

The Special Task Force Committee is established with the same purpose as the Small Loan Scheme & Loan Review Committee. However, the level of authority of this Committee is limited to only non-performing low cost housing accounts, which was formerly held by Lembaga Pembangunan Perumahan dan Bandar.

The Special Task Force Committee meets as and when required, and at least once a year.

In addition to the above committees, numerous management committees have also been established to assist the Members' of the Corporation to govern the day-to-day affairs of the Corporation from managing business risks, assessing adequacy of controls in processes to reviewing welfare of the staff and customers feedback for continual improvement purposes.

The following are the appointed committees with its functions:-

OPERATIONAL COMMITTEES

Risk Management Committee

In order to assist Members of the Corporation in its risk management duties, Management has set up a central hub for risk management by establishing a Risk Management Committee (RMC) with an intention to manage and resolve with effectiveness on the risk associated with all aspects of the Corporation's business.

The Risk Management System would be independently reviewed under the Internal Audit function. Reports of the review by the Internal Audit would be communicated to the Members via Audit & Examination Committee.

Meetings are held once a month to evaluate the current status of risk parameters set and propose new improvement for the system.

Bad Debts Write Off Committee

Datuk Mohamad Bin Jafray (Chairman)
Elmin Hj. Mohd. Kassim
Zamani Hj. Basri
Ir. Shahelmey Bin Yahya
Raskan Bin Asing
Arius Jiplu (Secretary)

Small Loan Scheme & Loan Review Committee

Ir. Shahelmey Bin Yahya (Chairman)
Marzuki Hj. Spawi, JP
Datuk Peter Athanasius
Zamani Hj. Basri
Raskan Bin Asing
Jeffrey Mollson (Secretary)

Special Task Force Committee

Datuk Peter Athanasius (Chairman)
Zamani Hj. Basri
Ir. Shahelmey Bin Yahya
Marzuki Hj. Spawi, JP
Raskan Bin Asing
Joseph Gambud (Secretary)

Risk Management Committee

Datuk Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Lee Shu Men
George Taitim Tulas
Arius Jiplu
Charles Peter Mojuntin
Henry Chu Wing Siew
Nelson Chan Kin Ren
Victor Monsibol @ Partama
Fatimah Kahar
Fiona Kau Shuk Fang

In attendance

Janeta Anthony (Secretary)
Jimmy Berukang

Financial Management Committee

Financial Management Committee, best known as Jawatankuasa Pengurusan Kewangan, was established on 23 Mac 1998 in accordance with the State Government Circular No.1 of 1998.

Its objective is to ensure the financial reporting management of the government agencies are standardised for ease of monitoring and controls. In addition, the State Government will be continuously informed on the Corporation's latest operation development and financial performance on a quarterly basis.

The reports would be prepared based on the stipulated template forwarded to Ministry of Finance for their review.

Management Review Committee [Majlis Kajian Semula Pengurusan (MKSP)]

Management Review Committee is one of the requirements of MS ISO 9000:2000 certification, which was obtained by SCC on 13 January 2004. This Committee was formed consisting of the senior management team, the appointed Management Representative, Document Control Officer and Head of the Internal Quality Auditor of MS ISO 9000:2000.

The purpose of the Committee is to evaluate the overall performance of SCC's quality management system and to identify continuous improvement opportunities.

These reviews are carried out at least twice a year.

Customer Feedback & Complaint Committee [Jawatankuasa Maklumbalas & Aduan Pelanggan (JMAP)]

The Committee was established since 21 January 2003 for the Headquarters and September 2003 for each of the District Client Centres to ensure speedy actions on all customer feedback and complaints effectively throughout Sabah.

The main functions of the Committee are to channel customer comments or to measure customer satisfaction particularly in customer delivery system for the management attention and to be reported in the Management Review (Majlis Kajian Semula Pengurusan) for further action.

The Customer Feedback & Complaint Committee meets at least once a month.

Corrective Action Team (CATs)

CATs was established in 1997, comprising of all SCC's District Client Centre (DCC) managers to discuss and resolved any issues relating to district client centre's operations. This Committee also acts as a communication tool between the Headquarters and DCC's in standardisation of policies, procedures, processes and business practices across the state.

The CATs committee meets at least twice a year.

Syariah Monitoring Unit (SMU)

SMU was established in early 2007 as a research and development committee for Syariah compliance product. This committee facilitates the necessary infrastructures in terms of formulating strategies and policies on the proposed implementation of Syariah compliance product.

The SMU committee meets on a required basis.

Financial Management Committee

Datuk Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Lee Shu Men
George Taitim Tulas
Arlus Jiplu
Charles Peter Mojuntin
Henry Chu Wing Siew
Nelson Chan Kin Ren
Victor Monsibol @ Partama
Fatimah Kahar
Fiona Kau Shuk Fang (Secretary)

Management Review Committee

Datuk Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Lee Shu Men
George Taitim Tulas
Arlus Jiplu
Charles Peter Mojuntin
Henry Chu Wing Siew
Nelson Chan Kin Ren
Victor Monsibol @ Partama
Fatimah Kahar
Fiona Kau Shuk Fang
Secretariat
Janeta Anthony (Secretary)
Eligius Samuel (Document Controller)
Salina Salimi (Head of Internal Quality Auditor)

Customer Feedback & Complaint Committee

Hj. Abdullah Hj. Sibil (Chairman)
Lee Shu Men
Henry Chu Wing Siew
George Taitim Tulas
Winnie Francis
Salina Salimi (Secretary)
JMAP Client Centres

Corrective Action Team (CATs)

Richard Chiew (Chairman)
Dalimin Raphael
Lamba Amit
Sepitah Subeh
Chin Lee Kan
Hanif Ghafar
Madin Gottir
Callistina Anthony
Patricia Chow
Primus Koh (Secretary)

Syariah Monitoring Unit (SMU)

Lee Shu Men (Chairman)
George Taitim Tulas
Arlus Jiplu
Nelson Chan Kin Ren
Victor Monsibol @ Partama
Fiona Kau Shuk Fang
Fiona V. Gom
Fatimah Kahar
Ismail Benjamin (Secretary)

WELFARE COMMITTEES

Management Establishment Committee (MEC)

MEC meets regularly to consider human resource issues, especially in disciplinary actions taken or to be taken, terms and conditions of employment, remuneration, development of high potential employees and key succession planning.

MEC also reviews the incentive plans on an ongoing basis to ensure that they remain effective and appropriate to SCC's circumstances and prospects.

As with most businesses, SCC's performance depends on the quality and commitment of its people. Henceforth, one of the strategies of success is to attract, retain and motivate the very best people.

The Management Establishment Committee meets at least once a month.

Majlis Bersama Jabatan (MBJ)

MBJ is a compulsory requirement for all government agencies throughout Malaysia to have a conference between employee representatives and representatives from the Management under the Federal Government Circular No.3 of 2002.

The conference consists of 13 management representatives (the management team; headed by the General Manager plus one officer appointed as secretary) and 20 employee representatives comprise of one representative from each section and district client centres.

The objective of the conference is to gauge a better understanding of the employee welfare and needs from time to time in order to enhance the working relationship between the employee and employer. In addition, this conference also creates an avenue for the management to update the employee representatives on the current development of the Corporation's affairs.

Meetings are held on a quarterly basis in accordance with the stipulated timetable issued by the Jabatan Perkhidmatan Awam Malaysia.

Medical Review Board (MRB)

This committee was established on 22 May 2003 with the intention to review normal and abnormal medical claims against available budget prior to management's approval. In addition, MRB assists the management to address issues that are not covered under the medical policies 6/2003.

There is no specific requirement on the frequency of meetings. Hence, the Medical Review Board meets only as and when required.

Medical Benefit Review Committee

This committee was established on 2 April 2003 with the intention to review and monitor the implementation of the approved medical benefit policies. This is to ensure that medical benefit policies are continuously improved for better staff welfare benefit and standardised policies and procedures are carried out across all levels of the organisations

There is no specific requirement on the frequency of meetings. Hence, the Medical Review Board meets only as and when required.

Management Establishment Committee

Hj. Abdullah Hj. Sibill (Chairman)
Lee Shu Men
Henry Chu Wing Siew
George Taitim Tulas
Fiona Kau Shuk Fang
Fatimah Kahar (Secretary)

Majlis Bersama Jabatan (MBJ)

Management Representative

Datuk Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibill
Lee Shu Men
George Taitim Tulas
Arius Jipiu
Charles Peter Mojuntin
Henry Chu Wing Siew
Nelson Chan Kin Ren
Victor Monsibol @ Partama
Fatimah Kahar
Fiona Kau Shuk Fang
Salina Salimi (Secretary)

Employee Representative

Jenson Jemudah (Chairman)
Representatives of each sections and DCC
Charles Robert (Secretary)

Medical Review Board

Henry Chu Wing Siew (Chairman)
Eligius Samuel
Ismail Benjamin
Alice Liew (Secretary)

Medical Benefit Review Committee

Charles P. Mojuntin (Chairman)
Fiona Kau Shuk Fang
Arius Jipiu
Doreen Lajuat
Fatimah Kahar
Eligius Samuel (Secretary)

AUDIT & EXAMINATION COMMITTEE REPORT

The members of Sabah Credit Corporation is pleased to present a summary report regarding its Audit & Examination Committee for the year ended 31 December 2009.

The Audit & Examination Committee (the "AEC" or the "Committee") ensures that the Corporation continues to employ high and appropriate standards of governance. This mandate is performed mainly via the auditing activities of the Corporation's internal audit function and if necessary, by direct consultation with members of top management. The AEC is composed of non-executive members of the Board and ably assisted by an Internal Audit Section, which reports directly to the Committee.

The formation of an Audit & Examination Committee was first mooted and established in the Corporation's 2/87 board meeting dated 23 May 1987.

Composition of the Committee and Frequency of Meetings

Members of the Committee consist of non-executive directors and have held five (5) meetings during the year ended 31 December 2009. The members of the Committee and their meeting attendance records are set out below:

Name	Role in the Committee	Directorship
En. Marzuki Hj. Spawi, JP	Chairman	Non-Executive Members
Datuk Mohamad Bin Jafry	Member	
En. M. C. Ismail Salam	Member	
En. Raskan Asing	Member	

The Senior Manager (Internal Audit) holds the role of Secretary to the Committee.

Terms of Reference of the Committee

The Committee's terms of reference is stipulated in guidelines issued by the State's Ministry of Finance. Pertinent stipulations are as follows:

A. Membership

- a) To maintain absolute independence, the AEC shall substantially comprise of Non-Executive Directors. The membership shall include:

- Chairman - Non-Executive Directors
- Members - (i) Non-Executive Directors (3)
(ii) Optionally, an independent Outsider (Non-Director and Non-Management)
- Secretary - Internal Audit Senior Manager / Company Secretary

- b) The number of the membership shall not be less than three (3) or more than five (5).
- c) At least one member of the Committee other than the Secretary shall have adequate auditing / accounting knowledge.
- d) At least one member of the Committee shall have adequate technical knowledge relating to the activities of the organisation.
- e) The Board may appoint an independent outsider as a member of the AEC. The independent outsider must possess specialised skill / knowledge / experience so that the organisation may benefit from his or her expertise. For effective contribution, the independent outsider should not be a member of more than two AECs and not a member of the Management of a holding company or subsidiary or associated company.
- f) Members of the management staff may not be a member of the AEC. However, they may be invited to attend the AEC's meetings to give clarifications on matters that relate to their portfolio.

- g) The Internal Audit Department is responsible functionally to the AEC and administratively to the Management.
- h) The Board of Directors shall appoint the Chairman of the AEC. To avoid potential conflict of interest and maintain independence, the Chairman of Board or the Deputy Chairman shall not be appointed as the Chairman or member of the AEC.
- i) The role of Secretary of the AEC shall be held by the Internal Audit Manager.

B. Objectives and Responsibilities

Objectives

- a) To ensure corporate accountability in respect of the management of the State Corporation.
- b) To serve as a "check and balance" mechanism for the Corporation.
- c) To assist the Board in carrying out their responsibilities as they relate to accounting policies and internal controls, financial reporting practices and business ethics policies.
- d) To monitor the Internal Audit Department and its activities.

Responsibilities

- a) To evaluate the professional background and experience of applicants for the Internal Audit Department and recommend the appointment of selected staff to the Board.
- b) To review the objectives, scope and manpower requirements and the effectiveness of the Internal Audit Department and recommend remedial measures to the Board of Directors for approval.
- c) To initiate special audits or investigations as may be necessary.
- d) To provide free access to the Internal Audit Department, if requested, for discussion on sensitive audit findings or other matters of major importance.
- e) To support and strengthen the independence of the internal audit function.
- f) To review and monitor the Corporation's internal controls with emphasis on internal check and financial controls.
- g) To review with the Internal and External Auditors on the scope of their respective audit programmes in order to ensure adequate audit coverage and adherence to work schedules.
- h) To review budget, management reports and financial statements of the Corporation in order to ensure objectivity and accuracy before submission to the Board of Directors for approval.
- i) To review and discuss with the Management and, if necessary, with the Board of Directors, reports and comments submitted by the External Auditor.
- j) To ensure the prompt publication of annual accounts and that the accounts are timely and accurate with frequent reviews.
- k) To review and ensure that the Corporation is managed in accordance with Statutory Enactment, Government directives and general policies of the Corporation.
- l) To review the performance of the External Auditor and recommend to the Board the appointment and remuneration of the External Auditor for the ensuing year.
- m) To review and examine the financial statements of the holding entity as well as their subsidiaries and associates to their respective Boards for approval.
- n) To assess the performance of the internal audit staff including the Internal Auditor and be represented in the panel assessing the staff of the Division for the purpose of promotion, bonuses and salary increment.
- o) To present on a regular basis to the Board of Directors the independent reports of the AEC, and the External and Internal Auditors, together with recommended actions taken or to be taken.

C. Authority and Powers of the Committee

In performing its duties, the Committee shall have the following authority and powers:

- a) Unlimited access to both the Internal and External Auditors and to Senior Management of the Corporation.
- b) The liberty to consult independent experts where they consider it necessary to carry out their duties.
- c) Enables the Internal Audit Department to have access to all of the Corporation's files and documents for the purpose of conducting internal audits.
- d) Obliges Management to provide the necessary co-operation to the Internal Audit Department in the interest of the Corporation.

D. Meetings

- a) The Committee is required to meet at least once every three months and as and when required by its Chairman.
- b) For a committee of either three (3) or five (5), the quorum shall be two (2) or three (3) members respectively.
- c) Invitations to members of management to attend AEC meetings is allowed with the purpose of providing explanations / clarifications to the AEC.
- d) The Secretary shall keep minutes of the meetings, which are circulated, to all members of the AEC and depending on the wishes of the Board, to all directors.

The objective and terms of reference of the Committee above were prescribed by the State Ministry of Finance in their Circular reference FC.118/8/2/Pt.II/(418) dated 23 September 1996. The Corporation from then onwards adopted the requirements of the Circular.

Internal Audit Function

The Internal Audit Department in the Corporation was first formed by a Board resolution in the year 1981. This Department has carried out the internal auditing function ever since. From the very outset, the Internal Audit Department has always been required to report directly to the AEC. In this way, it is able to maintain its impartiality, proficiency and due professional care.

The Corporation is adequately manned by a qualified Senior Manager and staffs with relevant background. The main functions of the Internal Audit Section are to check compliance to set procedures, rules and policies of the Corporation. In its work, the Section reviews the adequacy of the Corporation's system of internal controls and the overall governance of the Corporation. In addition, it also provides consultative advice and recommendations whenever required by Management.

The direction and emphasis of its audits and reviews are determined in an annual audit plan, which is then elaborated on and endorsed by the Audit & Examination Committee at the start of a new financial year. The auditable areas in the audit plan are selected based on an assessment of degree of risk and probability of exposure to those risks.

Audit findings are enclosed in audit reports, which require responses from auditees and management alike. Before presentation of audit reports to the Audit & Examination Committee, an audit exit conference is first conducted, which is attended by auditees, senior management as well as relevant personnel. In this conference, latest updates of remedial action are known and final resolutions are made. After these audit reports are discussed in the AEC meetings, all confirmed minutes and corresponding reports are submitted to the Ministry of Finance as procedural requirement by the Corporation's stakeholders.

The conduct of the Internal Audit Section's activities is administered according to its Internal Audit Charter, which is approved by the Audit & Examination Committee. Its scope of authorities and responsibilities are vested in the same State Ministry of Finance Circular requirements that the Audit & Examination Committee is governed under.

FINANCIAL MANAGEMENT

Source of Funds

SCC was enacted in 1955 with only RM1 million from Japanese Compensation Fund. Unlike other financial institutions, SCC is not permitted to accept deposits from general public or any institutions. Hence, SCC has been relying on State Government to fund its operations until 2001, funds from State Government were no longer forthcoming. Since then, SCC has been exploring different funding options and managed to secure the following funding facilities with the approval of Ministry of Finance:

Mortgage Securitisation with Cagamas Berhad through Financial Intermediaries

Borrowings from Cagamas Berhad through financial intermediaries are based on the concept of securitisation of identified portfolios of receivables. These portfolios comprise portfolios of eligible mortgage loans and eligible hire purchase debts. Under this financing structure, the financial intermediaries will purchase at the request of the Corporation from time to time, the said eligible receivables under the portfolios from the Corporation with a view of resale to Cagamas upon the terms and subject to the conditions contained in the relevant sale and purchase contracts.

As at 31 December 2009, SCC has an outstanding balance of RM122.7 million under this facility.

Fixed Rate Term Loan (FRTL) from Licensed Financial Institutions

This type of borrowing mimics a conventional term loan where securities are required. FRTLs are based on a sale and repurchase of a portfolio of receivables method. The interest rates and repayment amounts are based on the loan repayment schedules provided by a licensed bank.

As at 31 December 2009, SCC has an outstanding balance of RM115.4 million under this facility.

Bank Overdraft Facilities from Licensed Financial Institutions

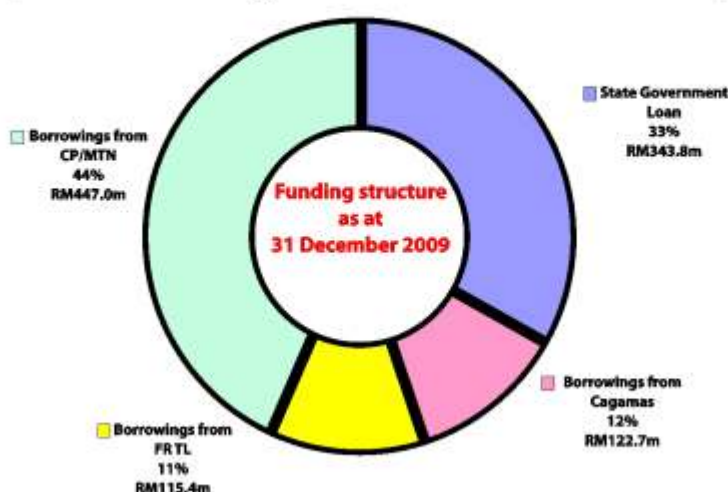
The Corporation maintains RM8.0 million and RM15.0 million standby bank overdraft facilities provided by Alliance Bank Malaysia Berhad and Malayan Banking Berhad respectively.

Commercial Paper / Medium Term Notes Programme (CP/MTN Programme or The Programme)

SCC embarked into debt capital market on September 2007 via CP/MTN programme as an alternative source of funding to its existing commercial bank borrowings. This programme allows flexibility for the organisation to issue a combination of short term and/or long term funding for better asset liability management.

The CP/MTN programme is an unsecured borrowing. The aggregate outstanding amount of the face value of the CPs and/or MTNs (collectively referred to as "Notes") issued under The Programme at any one time shall not exceed the facility limit of up to RM500.0 million.

As at 31 December 2009, SCC has an outstanding balance of RM447.0 million under this facility.



Allowance for Non-Performing Loans (NPLs)

Although the Corporation is not governed by Bank Negara Malaysia ("BNM"), the Management generally adopts the central bank's minimum requirements as a guide on the classification of and provisioning for non-performing loans ("NPLs"). In fact, as a prudent measure, SCC has maintained the stricter 3-month NPL classification even after BNM softened its guidelines to 6-month classification in late 1998.

Below are the provisioning policies of SCC:-

i) Specific Provisions

Classification of NPLs	Months in arrears	Specific Allowance Rate
Sub-Standard	3 < months in arrears = 6	20%
Doubtful	6 < months in arrears = 12	50%
Bad	> 12 months	100%

In year 2009, specific provision rate of 20% for sub-standard loans was applied for Personal Financing portfolios. The remaining portfolios will also adopt this provision in year 2010.

ii) Suspended Interest

Interest will be suspended once a loan has been identified as non-performing.

SCC seeks to prevent loans from becoming non-performing through early detection and proactive action. Henceforth, a designated unit called 'Monitoring Unit' was established since year 2006, which aims to identify potential NPLs by monitoring any inconsistency in the monthly loan repayments or any non-repayment of loans received from the date of loan disbursement.

iii) General Allowances for Doubtful Loans

The Corporation provides a general provision of 1.50% on the outstanding balance less specific allowance and interest-in-suspense.

Over the years, the Management has been continually reinforcing zero NPLs and to show management commitment, they have taken the following steps to improve the NPL rates:-

- Establishment of Monitoring Unit (MU) in end-2006. The MU closely monitors No First Payment as well as those with 1 to 3 months in arrears and matured accounts with the support from the Customer Information Centre Unit (CIC);
- Newly improved front and back office support systems to enhance origination quality and productivity.
- Initiation of follow-up recovery action by Legal and Supervision Unit supported by dedicated outsource personnel.

In addition to the above, an improvement and upgrade of Biro Perkhidmatan Angkasa system which facilitated efficient deduction via the inter-face online has strongly pushed down the NPLs.

RASING THE BAR OF QUALITY SERVICE DELIVERY

To sustain the achievements made by SCC is the hardest thing to maintain. However, the innovation and the creativity of its Warga to think beyond her/him self will help SCC to face changes and continue to become a more successful organization. As per quoted by its CEO, everyone is a leader and is important in this organization, we are confident of meeting ahead by being flexible in shifting gears in accordance with market movements. We continue to place emphasis on sound investment and risk management practice to optimise return on investment without any distractions. We aim to stay on course in achieving our vision and mission as we pursue a journey of excellence that will lead us to a brighter future.

The following strategies were implemented to transform the legacy of public service delivery:



1) Front Counter manned by Managers

Having Managers manning the front counter on a rotational basis enables managerial line employees to observe and receive firsthand feedback from our customers in order to further enhance our delivery of services, innovate our processes, and make them feel that they are important and in return, it gives them confidence in doing business with us.

2) Continuous service during lunch hour

This allows our customers who are only free during lunch time to come over and settle any outstanding issues with our corporation. We made every single process convenient to our customers because they are our first priority.

3) One-Stop Client Centre and Customer Drive-Thru Facility

A client centre was set up at SCC's headquarters aimed at providing greater customer assurance. The main objective is to enable customers to be entertained at only one location instead of having to move up and down the premises. Furnishing them with friendly and dedicated personnel, and make them comfortable when they come to deal with us. To provide speedy customer service, we have also set up a drive-thru facility where customers can make counter payments without the hassle of leaving their cars or searching for parking space. Aside from that, we have also extended our services by establishing an extension of our Client Centre located in Alamesra to cater for civil servants located in the northern region of Kota Kinabalu.

4) Simplicity in loan application forms and other documents

SCC is always intent in providing top quality service to its customers, one of the examples that we can see is through the simplified loan application forms and the amalgamation of letter of offer together with loan agreements are yet another example to fulfil customer satisfaction. Such initiatives were made to eliminate confusion in completing voluminous application forms and further reduce the documentation signing progress.

CORPORATE SOCIAL RESPONSIBILITIES

Our Commitment

Despite the profit objective of SCC, the Corporation has not forgotten the original roots of why the Corporation has been enacted : " to assist in the eradication of poverty through providing financing" It has been the Corporation's vision that to further achieve objective necessitate SCC to generate earnings and to provide a percentage of their earnings for social contributions. Since 2005, SCC has put aside 5% of the profit for community projects. The emphasis have been on "providing the fishing rod" especially for **women, children and the needy**, so that the less fortunate will be able built a better life for themselves.

The scope of SCC CSR:

- Key targets will be on women, children and those with special needs.
- To promote better accessibilities to education through building of school hostels, libraries and facilities especially in rural areas.
- To empower NGO's by building facilities for them to further enhance their welfare assistance to marginalised and handicapped.
- To assist and enhance the livelihoods of the people in the rural especially in the provision of water.
- To be a catalyst or to work with other like-minded people or organisations to "Make a Difference" where possible.

Sabah Credit Corporation throughout the state of Sabah, as good corporate citizens, are promoting a wide variety of social activities and programs that contribute towards the development and well being Malaysian in Sabah. The strategies of SCC's in its Community and Social Responsibilities are:

Through Community and Social Programs:

- For Rural Children and Education
- Reaching Out to Marginalised Women
- In Health Care
- Program for "Warga Emas"

Through Employees:

- Realisation of New Remuneration Scheme (NRS)
- Employment Opportunities For the Less Fortunate

Through Providing Intensive Training Program:

- Industrial Training Attachments for Students and Trainees



CORPORATE SOCIAL RESPONSIBILITIES

Through Community and Social Programs

Education for Rural Children and Orphans

SCC regards the funding of hostel's and learning centres' construction as a worthy community investment for it brings about a continuous and lasting development impact for the rural community.



1. New Girls Hostel for St. Maria Goretti, Kg Binaong, Keningau;
2. Rural Hostel For San Damiano, Kiulu Tuaran,
3. "Dewan Minda" for SRK St. Mary, Limbahau, Papar
4. Kitchen and Dinning Hall for SMK St. Edmund, Kota Belud.
5. Joint Venture project, SCC with MRSM Kulim for Asrama Donni Project.

In reach of Marginalised Women

Other CSR projects focus on helping the single mothers who are left to go through life themselves in raising their kids and also providing shelters for women in crisis. SCC is aware that there are quite a significant number of single mother in the state, especially in rural areas, and among our strategies for these women are:

- By supporting Women's Organisation in their cause for the marginalised and women in crisis.
- By building sanctuaries or shelters where these women can pool resources, motivate and assist one another to make a living. It is also a place where any form of help from charitable associations are conveniently channeled.



The opening of Seri Murni Crisis Centre, Shelter for women in crisis.

CORPORATE SOCIAL RESPONSIBILITIES

In Health Care

In Health, SCC focus in providing critical items to hospitals, building rural clinics, basic amenities that promotes healthy living in the rural and providing needy equipment to the disabled.



Water Source of Life - for 3 schools;
1. SK Gensurai, Kota Belud;
2. SK Rungus Nahaba, Tamparuli;
3. SK Bongol, Tamparuli.



Program For Warga Emas

In line with its CSR outreach initiatives, SCC has been very much interested to include some Warga Emas programs. Among the needs highlighted were the need for a proper place to meet and for some activities that will involve the retirees. One of the identified program is a weekly talk from skilled and experienced speakers such as prominent retirees, doctors, lawyers, journalists, politicians and other resource speakers as necessary. This activity has served as a useful network for the retirees where at least once a week, they can mingle with friends and update themselves. This CSR outreach program was started on the 25th February 2009.



Helping the Blind to help Themselves at Taman Cahaya Training Centre



Dialysis Machine for Kota Belud Hospital



CORPORATE SOCIAL RESPONSIBILITIES

Through Employee

New Remuneration Scheme (NRS)

Year 2009 finally saw the realisation of the NRS as the scheme was finally given the green light by the pension department. The management did not waste any time in preparing the offer letters for staffs to shift from the former "Skim Saraan Malaysia" into the New Remuneration Scheme. This scheme would further enhance the rewards and benefits enjoyed by the staffs of SCC as well as to provide more managerial posts that would reduce the clerical level performance and to match the qualifications of existing and potential staffs. The main idea behind this scheme is to encourage more managerial-leadership thinking among staffs rather than the conventional clerical way of performing in accordance to the journey of providing higher quality human capital. As a result, the new scheme was positively accepted by SCC's staff as per view of the immediate signing of acceptance from most of the staffs.



Senior Management team received NRS letter offer



Trainees outing with General Manager at Mount Kokol Menggatal



In house talk by one of the staff on Master of Ceremony

Employment Opportunities For the Less Fortunate.

In line with one of our corporate practices of being courteous, SCC has created employment opportunities for the less fortunate by employing hearing-impaired individuals as data entry clerks. As for the year 2009, a total of 5 such employees are attached to SCC Headquarters. The employment of these hearing-impaired individuals also provides an opportunity for other SCC employees to acquire and develop sign language skills as well as to develop a sense of care for "special" fellow beings.



In house talk by the 4 "OKU" staff on sign language for the trainees

Through Providing Intensive Training Program

Industrial Training Attachments for Students and Trainees

SCC also provides a platform for fresh graduates to jump-start into the working world by sharing experiences and inculcating good work culture and attitude into their young minds as well as showing them the actual working world environment. In 2009 we have brought in a total of 140 trainees (74 of them attached in HQ and the remaining 66 were attached in district client centres) for work attachment periods of one to six months. Added value activities were conducted to further enhance the training of the trainees such as in-house talk by various guest speakers in conjunction with the weekly CSR retirees program, and also internal talks by senior managers and selected skilled staffs on their experiences. Apart from that they are also involved in visits organized by SCC staffs as well as trainings such as brainstorming sessions. Through this program, the management of SCC basically has an option or reliable platform to select and absorb potential trainees based on their performances, skills and attitudes.

SIJIL KETUA AUDIT NEGARA



SIJIL KETUA AUDIT NEGARA MENGENAI PENYATA KEWANGAN PERBADANAN PINJAMAN SABAH BAGI TAHUN BERAKHIR 31 DISEMBER 2009

Penyata Kewangan Perbadanan Pinjaman Sabah bagi tahun berakhir 31 Disember 2009 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap Penyata Kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap Penyata Kewangan tersebut.

Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pengauditan dirancang dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada Penyata Kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan ini termasuk memeriksa rekod dan dokumen secara semak uji dan bagi memastikan ketepatan angka dan pendedahan yang mencukupi dalam Penyata Kewangan. Penilaian juga dibuat terhadap prinsip perakaunan yang digunakan, unjuran signifikan oleh pengurusan dan persembahan Penyata Kewangan secara keseluruhan. Saya percaya pengauditan yang dilaksanakan memberi asas yang munasabah terhadap pendapat saya.

Pada pendapat saya, Penyata Kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Pinjaman Sabah pada 31 Disember 2009 serta hasil operasi dan aliran tunai untuk tahun tersebut adalah selaras dengan piawaian perakaunan yang diluluskan.


(JUHARI BIN HARON)
b.p. KETUA AUDIT NEGARA
MALAYSIA

KOTA KINABALU
07 MEI 2010



STATEMENT BY MEMBERS OF THE CORPORATION

PERBADANAN PINJAMAN NEGERI SABAH

(Ditubuh dibawah Ordinan Perbadanan Pinjaman 1955, seperti yang dipinda)

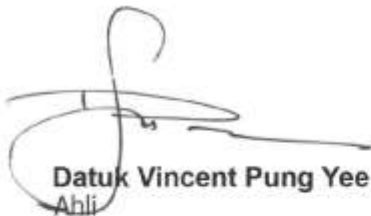
PENYATA AHLI PERBADANAN

Pada pendapat kami, penyata kewangan pada muka surat 31 hingga 51 telah disediakan berdasarkan peruntukan-peruntukan Ordinan Perbadanan Pinjaman, 1955 seperti dipinda dan menurut piawaian perakaunan yang diiktiraf di Malaysia untuk menunjukkan gambaran yang benar dan saksama mengenai kedudukan Perbadanan Pinjaman Negeri Sabah pada 31 Disember 2009 dan keputusan serta aliran tunai bagi tahun berakhir pada tarikh tersebut.

DITANDATANGANI BAGI PIHAK PERBADANAN,



YB Teo Chee Kang
Pengerusi



Datuk Vincent Pung Yee Kiong
Ahli

Tarikh: 20 FEB 2010

STATUTORY DECLARATION

PERBADANAN PINJAMAN NEGERI SABAH

(Ditubuh dibawah Ordinan Perbadanan Pinjaman 1955, seperti yang dipinda)

SURAT SUMPAH PEGAWAI KEWANGAN

Saya, **FIONA KAU**, pengurus yang bertanggungjawab ke atas pengurusan kewangan **PERBADANAN PINJAMAN NEGERI SABAH**, dengan tulus ikhlas berikrar bahawa penyata kewangan yang dikemukakan pada muka surat 31 hingga 51, adalah sebaik-baik pengetahuan dan kepercayaan saya, adalah benar dan saya membuat ikrar ini dengan penuh kepercayaan bahawa ianya benar dan menurut peruntukan-peruntukan Akta Akuan Berkanun, 1960.

Diistiharkan dan diikrarkan oleh
Penama di atas **Fiona Kau** di
Kota Kinabalu di dalam Negeri
Sabah pada 20 FEB 2010



FIONA KAU

Di hadapan saya,



Francis Ariffin, ADK, BSK, MAMROS
Commissioner for Oaths
(Pesuruhjaya Sumpah S 073)
Block 1, Lot 2, Ground Floor
De Jongen Neuen whip
62 00 mampais
Kuching, Sarawak